

# Inspector General

United States  
Department of Defense



Follow-up on DoD Purchases Made  
Through the Department of  
the Interior

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## Acronyms and Abbreviations

AQD–Herndon	Acquisition Services Directorate in Herndon, Virginia
DOI	Department of the Interior
FAR	Federal Acquisition Regulation
GAO	Government Accountability Office
IG	Inspector General
MIPR	Military Interdepartmental Purchase Request



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
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August 18, 2008

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,  
TECHNOLOGY, AND LOGISTICS  
UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF  
FINANCIAL OFFICER  
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL  
MANAGEMENT AND COMPTROLLER)  
NAVAL INSPECTOR GENERAL  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Follow-up on DoD Purchases Made Through the Department of the Interior  
(Report No. D-2008-122)

We are providing this report for information and use. No written response to our draft report was required, and none was received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the staff. Please direct questions to either Mr. Terry L. McKinney at (703) 604-9288 (DSN 664-9288) or Mr. Robert E. Bender at (703) 604-9246 (DSN 664-9246). Team members are listed on the inside back cover.

A handwritten signature in black ink, reading "Richard B. Jolliffe", is positioned above the printed name.

Richard B. Jolliffe  
Assistant Inspector General  
Acquisition and Contract Management





# Results in Brief: Follow-up on DoD Purchases Made Through the Department of the Interior

## What We Did

We determined whether purchases made on behalf of DoD by the Department of the Interior's Acquisition Services Directorate in Herndon, Virginia (AQD–Herndon) were made in accordance with laws and regulations. Specifically, we determined whether AQD–Herndon stopped billing DoD in advance and stopped using expired funds. Those practices had led to a restriction on DoD activities doing business with AQD–Herndon. As of May 31, 2007, DoD activities were not permitted to make purchases valued at more than \$100,000 through AQD–Herndon unless the Under Secretary of Defense for Acquisition, Technology, and Logistics granted a waiver. We reviewed 79 AQD–Herndon contract actions, each valued at more than \$100,000, for the granting of waivers. The value of these contract actions was \$104.2 million. We also judgmentally selected 50 contract actions, valued at \$39.4 million, for a detailed review of contracting and funding issues.

## What We Found

AQD–Herndon had significantly improved its processes for contracting and funding for DoD purchases. We identified no material internal control weaknesses. AQD–Herndon corrected the key problems identified in the prior audit (DoD Inspector General Report No. D-2008-066, "FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior," March 19, 2008). Specifically, AQD–Herndon no longer bills DoD in advance and no longer uses expired DoD funds for purchases. During this audit, we identified some problems; however, the problems were related mostly to purchases of furniture. Problems included

inadequate competition, unsupported price reasonableness determinations, potential bona fide needs rule violations, and Military Interdepartmental Purchase Requests that lacked specificity.

## What We Recommend

The Director, Defense Procurement and Acquisition Policy and Strategic Sourcing, the Under Secretary of Defense (Comptroller)/Chief Financial Officer, and AQD–Herndon have already taken actions to address the problems that we found during this audit and the previous audit. Their actions should correct these problems. On March 27, 2008, the Director, Defense Procurement and Acquisition Policy and Strategic Sourcing lifted the restrictions previously imposed on AQD–Herndon. Therefore, we are not making any recommendations in this report.

## Client Comments

We did not require a written response to this report.



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# Introduction

## Objectives

Our overall objectives were to determine whether the Department of the Interior (DOI) purchases on behalf of DoD were made in accordance with laws and regulations and whether the DOI Acquisition Services Directorate in Herndon, Virginia (AQD–Herndon) has corrected the major problems noted in the prior audit. Specifically, we examined DOI’s use of DoD funds and whether goods and services purchased with those funds were attained at fair and reasonable prices. We also reviewed the granting of waivers for purchases exceeding \$100,000. See Appendix A for a discussion of the scope and methodology and a review of internal controls. See Appendix B for prior audit coverage related to the objectives. See Appendix C for a list of the 50 contract actions reviewed.

## Background

This is a follow-up on a previous audit, DoD Inspector General (IG) Report No. D-2008-066, “FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior,” March 19, 2008. The previous audit was required by section 811 of Public Law 109-63, “National Defense Authorization Act for Fiscal Year 2006.”

During our previous audit, we identified problems that were significant enough for us to request that DoD management restrict DoD purchases at AQD–Herndon (formerly GovWorks). Specifically, DoD customers used, and AQD–Herndon permitted, DoD customers to retain and use expired funds for purchases. This practice violates the bona fide needs rule and other financial rules and resulted in 336 potential funding violations. AQD–Herndon also billed DoD in advance for its purchases. This practice causes DoD to lose oversight of individual Military Interdepartmental Purchase Request (MIPR) balances. During the previous audit, we also identified competition and price reasonableness problems. We notified the Under Secretary of Defense for Acquisition, Technology, and Logistics and AQD–Herndon of our findings.

On May 31, 2007, the Director, Defense Procurement and Acquisition Policy and Strategic Sourcing, in accordance with section 811(d) of the “National Defense Authorization Act for FY 2006,” issued a letter restricting DoD Components from using AQD–Herndon. Accordingly, this audit focused on whether AQD–Herndon had corrected those problems so the restriction could be lifted and DoD could resume its use of the contracting activity.



## Finding. Contracting and Funding Practices

AQD–Herndon corrected the most significant problems that we identified during the previous audit. Specifically, AQD–Herndon no longer bills DoD in advance for its purchases and no longer uses expired funds for DoD purchases. In addition, AQD–Herndon legal officials are more involved in the contract review process. However, we did identify contracting and funding problems related mostly to purchases of furniture. These problems include:

- inadequate competition (14 of 38 contract actions or 37 percent\*),
- unsupported price reasonableness decisions (20 of 44 contract actions or 45 percent\*),
- potential bona fide needs issues (18 of 50 contract actions or 36 percent\*), and
- lack of specificity (10 of 63 MIPRs or 16 percent\*).

Inadequate competition for products occurred because AQD–Herndon contracting officials did not follow competition requirements when purchasing brand name furniture. Also, furniture dealers had opportunities to unfairly influence the process because contracting officials were not involved in obtaining furniture quotes. Inadequate price reasonableness problems for products occurred because contracting officials determined that prices paid were fair and reasonable based on price competition that we determined was flawed. Potential bona fide needs problems for contract actions awarded for products occurred at AQD–Herndon because contracting officials awarded contract actions in FY 2007 that specified FY 2008 delivery dates. Contracting officials also did not adequately justify exceptions for purchases of products that crossed fiscal years. We also identified a few contracting and funding problems related to contract actions for services.

### Contract Actions Reviewed

Our sample consisted of 50 contract actions, valued at \$39.4 million. The 50 contract actions included 38 new awards and 12 modifications to existing contracts. We reviewed 38 of the contract actions for competition issues, 44 of the contract actions for price reasonableness determination issues, and 50 of the contract actions for funding issues. For contract actions for services, we also reviewed the Government’s analyses of contractor proposals and independent Government cost estimates. We also reviewed 79 AQD–Herndon contract actions, each valued at or above \$100,000, for the granting of waivers. The overall value of these 79 contract actions was \$104.2 million.

### Corrective Actions

AQD–Herndon corrected the most significant problems that we identified during the previous audit. Specifically, AQD–Herndon no longer bills DoD in advance for its

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\* Judgement sample percentage does not generalize to universe.

purchases and no longer uses expired funds for DoD purchases. In addition, AQD–Herndon legal officials are more involved in the contract review process.

### ***Billing DoD in Advance***

AQD–Herndon operates under the authority of the DOI franchise fund, which permits payment for contracts and associated administrative costs in advance of the services being acquired. According to DoD Regulation 7000.14-R, “Financial Management Regulation,” volume 11A, chapter 18, section 180209, advance payments should be used only in rare circumstances. During the previous audit, we determined that advance payments cause problems for DoD activities because DoD loses its oversight of unobligated MIPR balances. On February 7, 2007, the Under Secretary of Defense (Comptroller)/Chief Financial Officer issued a letter informing DOI that DoD would no longer honor the practice of advancing funds to non-DoD Federal entities.

During this audit, AQD–Herndon demonstrated that it no longer bills DoD in advance for purchases made on behalf of DoD. AQD–Herndon worked with DoD to cease the practice of requiring advance payments. On June 18, 2007, AQD–Herndon implemented a manual process to accept and bill against DoD interagency agreements on a reimbursable basis. AQD–Herndon received DoD’s official written approval of the process on June 20, 2007. By October 2007, AQD–Herndon had fully automated this process in its accounting system. We commend DoD and AQD–Herndon for their actions to eliminate the use of advance funding.

### ***Use of Expired Funds***

During the previous audit, we found that DoD and AQD–Herndon continued to use expired funds to make purchases on behalf of DoD through at least March 2007. Those purchases resulted in 336 potential funding violations involving expenditures of \$51 million. DoD and DOI worked together and identified \$209.5 million in funds that had expired and were returned to the U.S. Treasury. To correct the potential funding violations, DoD obligated \$29.6 million in current funds to replace the expired funds. During this audit, we reviewed 50 contract actions for potential funding problems and did not find any situations in which AQD–Herndon used expired funds. We commend AQD–Herndon for its efforts in stopping this practice.

### ***Legal Reviews***

AQD–Herndon legal officials are more involved in reviewing contract actions than they were during our previous audit. On October 19, 2006, DOI issued new policy for review and approval of contract actions. According to this policy, legal reviews are required for awards valued at \$500,000 and more and include the review of delivery orders used under indefinite-delivery, indefinite-quantity contracts and Federal supply schedule contracts. Nine of the fifty contract actions reviewed during this audit were valued at more than \$500,000. The contract files for the nine contract actions had evidence of a legal review, such as a signature of a legal official.

## **Contracting and Funding Problems**

During this audit, we identified contracting and funding problems mostly limited to purchases of furniture. The problems include inadequate competition, unsupported price reasonableness decisions, potential bona fide needs issues, and inadequate MIPR specificity. During the previous audit, we also identified competition and price reasonableness problems related to purchases of furniture made by AQD–Herndon for DoD.

### ***Competition***

We reviewed 38 of the 50 contract actions for competition issues. Twenty-two contract actions were for products and 16 contract actions were for services. We did not identify any competition issues for contract actions for services. However, inadequate competition occurred for 14 contract actions for products. Contracting officials awarded 13 of the contract actions for brand name furniture using Federal Acquisition Regulation (FAR) Part 8, “Required Sources of Supplies and Services,” procedures. They also awarded one contract action for a product using FAR Part 13, “Simplified Acquisition Procedures.”

According to FAR 8.405-6(a)(2), “Limited Sources Justification and Approval,” ordering activities must justify their actions when restricting consideration to

... an item peculiar to one manufacturer (e.g., a particular brand name, product, or a feature of a product, peculiar to one manufacturer). A brand name item, whether available on one or more schedule contracts, is an item peculiar to one manufacturer. Brand name specifications shall not be used unless the particular brand name, product, or feature is essential to the Government’s requirements, and market research indicates other companies’ similar products, or products lacking the particular feature, do not meet, or cannot be modified to meet, the agency’s need.

In addition, for proposed orders exceeding the micropurchase threshold, but not exceeding the simplified acquisition threshold, the ordering activity contracting officer must document the circumstances when restricting consideration. The values of the 13 contract actions for brand name furniture were above the micropurchase threshold. Inadequate competition occurred for the 13 contract actions because contracting officials awarded the actions without justifying the use of brand name furniture. Competition problems also occurred because contracting officials were not involved in requesting and obtaining quotes from furniture vendors. Instead, contracting officials relied on furniture dealers to obtain quotes for them. Accordingly, contracting officials did not oversee how the furniture dealers selected the vendors that submitted quotes. Only 1 of the 13 contract actions for brand name furniture had a limited source justification and approval in the contract files; however, that justification and approval was not signed by a contracting officer.

A contracting officer should have signed the limited source justification and approval. Also, contracting officers are responsible for obtaining quotes used to make awards on behalf of the Government.

Inadequate competition occurred for one contract action awarded for a product using FAR Part 13 procedures. According to FAR 13.104, "Promoting Competition," contracting officers should promote competition to the maximum extent possible by considering quotes from at least three sources. However, the award summary for this contract action did not contain evidence showing that contracting officials followed these procedures. The only information in the award summary related to competition was the following statement: "1 quote received and sent to the client for approval."

### ***Price Reasonableness***

We reviewed 44 of 50 contract actions for price reasonableness determinations. Twenty-two contract actions were for products, and 22 contract actions were for services. Inadequate price reasonableness determinations occurred for 14 contract actions for products (all furniture) and for 6 contract actions for services.

Price reasonableness decisions were inadequate for 14 contract actions for brand name furniture because contracting officers determined that prices were fair and reasonable based on price competition that we determined was flawed. The price reasonableness determinations were inadequate for six contract actions for services because contracting officials used boilerplate statements and cursory reviews instead of detailed analysis to support their determinations. For example, award summaries included phrases such as "previous requirements," "same or similar work," and "market research" as the basis for determining that prices were fair and reasonable. Furthermore, the contract files contain no documentation supporting those statements.

Contracting officers also based their price reasonableness decisions on cursory Government reviews of contractor proposals and on independent Government cost estimates that lacked detail. Government reviews of contractor proposals consisted of small checklists as opposed to detailed analysis. Independent Government cost estimates consisted of lists of labor categories, labor rates, and hours with no explanation of how these estimates were determined. For example, for three of the six contract actions reviewed for services, contracting officials used the following statement.

A Negotiation was not necessary in this case. The government cost estimate, price analysis, and price list were used in arriving at the government objective for this project. The Government Technical Representative, [name omitted] developed the cost estimate using previous requirements for same or similar work and market research. Quantities were based on his prior experience for same or similar projects. The government cost estimate was deemed a valid tool for establishing a government price objective. The contractor's proposal was in line with the Government Objective for this project and the rates are comparable to industry prices and are therefore considered fair and reasonable.

The contract files did not contain any evidence that the contracting officers questioned the lack of detail in DoD requiring activity reviews of contractor proposals and independent Government cost estimates or that they requested more detailed information before awarding the contracts. We also did not see any evidence that higher level contracting officials questioned or reviewed the contracting officer award summaries. Contracting officials' use of statements such as "previous requirements," "same or similar work," and "market research" to support price reasonableness determinations is not sufficient. Contracting officials need to document their price reasonableness determinations in greater detail.

### ***Bona Fide Needs***

We analyzed each of the 50 contract actions reviewed for potential bona fide needs rule violations. Twenty-two contract actions were for products, including 14 contract actions for brand name furniture. Twenty-eight contract actions were for services. Potential bona fide needs rule violations occurred in 18 contract actions. Fourteen of the potential problems involved products, primarily furniture, and four potential problems related to services.

Potential bona fide needs rule violations for the 14 contract actions for products occurred because contracting officials did not comply with the provisions of the Under Secretary of Defense (Comptroller)/Chief Financial Officer memorandum, dated October 16, 2006 (DoD October 16, 2006, Memorandum). According to the memorandum, "the delivery of goods may not be specified to occur in the year subsequent to fund availability." Contracting officials awarded the 14 contract actions in FY 2007 using 1-year funds. However, the delivery dates for 13 of the contract actions were in FY 2008. Contracting officials stated that long-lead-time exceptions applied for the 14 contract actions; however, the contract files contained limited documentation supporting the exceptions. Instead of separately reviewing the 14 contract actions to determine whether long-lead-time exceptions were applicable, contracting officials cited a legal opinion related to a particular project for the U.S. Army Reserve Training Center in Houston, Texas. That single legal opinion was their basis for determining that long-lead-time exceptions applied to all 14 contract actions. In the Army Reserve Training Center project, AQD-Herndon officials asked a DoD Comptroller official whether it was permissible to obligate FY 2007 funds for furniture to be delivered in the first quarter of FY 2008. The legal opinion provided by the DoD Comptroller official stated:

We reviewed your concerns addressed in the attached memorandum and consider the circumstances to meet the long lead time exception provided in the October 16, 2006 policy memo. We continue to ask that each case be considered separately and reviewed on an individual basis to ensure compliance with the policy.

We agree with the DoD Comptroller official's statement that each case should be considered separately. Table 1 shows the 14 contract actions for products that had potential bona fide needs rule violations. The 12 in bold are for furniture.

**Table 1. Potential Bona Fide Needs Rule Violations Related to Contract Actions for Products**

<b>Contract Action</b>	<b>Date Awarded</b>	<b>Scheduled Delivery and Installation Date</b>	<b>Actual Delivery and Installation Date</b>
<b>68598</b>	08/20/2007	Delivery NLT* 10/19/2007 Installation NLT 10/31/2007	Delivery 10/12/07–11/26/07 Installation 12/11/2007
<b>68602</b>	08/28/2007	Delivery NLT 10/30/2007 Installation NLT 11/15/2007	Delivery 10/17/07–10/31/07 Installation 11/7/07–11/13/07
<b>68601</b>	08/27/2007	Delivery NLT 10/29/2007 Installation NLT 11/15/2007	Delivery 10/18/2007–11/29/07 Installation 01/17/08
<b>68791</b>	09/20/2007	Delivery NLT 11/30/2007 Installation NLT 12/15/2007	Delivery 10/30/07–11/29/07 Installation 01/08/08
<b>68539</b>	8/15/2007	Delivery NLT 10/10/2007 Installation NLT 10/26/2007	Delivery 10/19/07 Installation 02/28/08
<b>68599</b>	08/20/2007	Delivery NLT 10/19/2007 Installation NLT 10/31/2007	Delivery 10/18/07–11/06/07 Installation 11/15/07
<b>68440</b>	07/31/2007	Delivery NLT 09/30/2007 Installation NLT 10/15/2007	Delivery 11/20/07 Installation 01/09/08
<b>68443</b>	07/31/2007	Delivery NLT 09/30/2007 Installation NLT 10/15/2007	Delivery 11/20/07 Installation 01/09/08
<b>68439</b>	07/31/2007	Delivery NLT 09/30/2007 Installation NLT 10/10/2007	Delivery 11/12/07 Installation 12/05/07
<b>68747</b>	09/12/2007	Delivery NLT 11/09/2007 Installation NLT 11/15/2007	Delivery 10/24/07 Installation 11/13/07
<b>68570</b>	08/14/2007	Delivery NLT 09/30/2007 Installation NLT 10/15/2007	Delivery 09/24/07 Installation 10/05/07
<b>68524</b>	08/03/2007	Delivery NLT 09/30/2007 Installation NLT 10/15/2007	Delivery 11/21/07 Installation 12/05/07
68663	9/24/07	Delivery NLT 10/26/07	None Identified
68669	9/19/07	Delivery NLT 10/19/07	None Identified

\* No later than

Four contract actions for services in which 1-year funds were used potentially violated the bona fide needs rule. Two of these contract actions, awarded for building renovation services, constitute potential violations because the contracting officers made the awards in September 2007, but the periods of performance did not begin until FY 2008. The other two contract actions, awarded for training services, constitute potential violations because the contracting officers made the awards in September 2007 but no work was performed until FY 2008. Table 2 shows the four contract actions for services that had potential bona fide needs rule violations.



**Table 2. Potential Bona Fide Needs Rule Violations Related to Contract Actions for Services**

Contract Action	Date Awarded	Beginning of Period of Performance
68760	9/24/07	10/1/07
68369	9/20/07	10/7/07
68737	9/24/07	9/24/07 (No work performed until FY 2008)
68739	9/24/07	9/24/07 (No work performed until FY 2008)

### ***MIPR Specificity***

The DoD October 16, 2006, Memorandum states that non-Economy Act orders must include a firm, clear, specific, and complete description of the goods or services ordered. It also states that the use of generic descriptions is not acceptable. We reviewed 63 MIPRs that contracting officials used to fund the 50 contract actions reviewed and found 10 MIPRs that were not specific. Five of the MIPRs that lacked specificity were for the purchases of products, including four MIPRs for furniture. Five other MIPRs that lacked specificity were for services. Table 3 shows the 10 MIPRs that were not specific.

**Table 3. MIPRS That Lacked Specificity**

Contract Action	MIPR No.	MIPR Description
68663	F1DT867219G001	Enterprise architect lab equipment
68440	F1AF2S7206G005	Wood casegoods
68443	F1AF2S7206G004	Wood casegoods
68524	F1AF2S7204G002	Wood casegoods
68439	F1AF2S7206G006	Wood casegoods
61990/A6	DWIA60261 (Interagency Agreement)	No description
67271/A4	MIPR7LNTVC0061	Funds are provided Northern Taiga Ventures, Inc. claims
61715/A9	MIPR7D014PT024 MIPR7F014PT040 MIPR7C014PT017	Support of the postmaster contract GS-35F0400J Order 61715

### **Granting Waivers**

As a result of problems we identified in the previous audit, the Director, Defense Procurement and Acquisition Policy issued a letter (DoD May 31, 2007, Letter) to AQD–Herndon. The letter states that AQD–Herndon should not accept interagency agreements in excess of \$100,000 from DoD unless the Under Secretary of Defense for Acquisition, Technology, and Logistics determines in writing that it is in the best interest of DoD to procure the particular property or services. The letter also states that DOI must stop using advance funding and must comply with DoD’s policy of no advance payments with respect to all interagency agreements. The restriction would remain in effect until rescinded.

From June 1 through November 26, 2007, AQD–Herndon contracting officials awarded 79 contract actions valued at or above \$100,000. We reviewed each of these contract actions and determined that DoD and AQD–Herndon personnel followed the waiver process and that the waivers had merit. We identified some minor problems with the waiver process; however, overall, the waiver process worked well and it gave AQD–Herndon time to correct known problems.

In addition to looking at the waivers issued, we reviewed other actions to determine whether a waiver may have been required. We identified three situations in which contracting officials did not comply with the intent of the DoD May 31, 2007, Letter. For these situations, we believe the contracting officials split the purchases to keep the action under the \$100,000 threshold. The same contracting official awarded multiple contract actions, on the same day, on behalf of the same DoD requiring activity, for the same requirements without receiving a waiver. Although the individual contract action values were less than \$100,000, the total value exceeded \$100,000. Contracting officials should not have awarded the contract actions without obtaining waivers. Table 4 shows contract actions that AQD–Herndon should not have awarded until the Under Secretary of Defense for Acquisition, Technology, and Logistics granted a waiver.

**Table 4. Contract Actions for Which Contracting Officials Should Have Obtained Waivers**

Contract Action	Date Awarded	Contract Action Amount	Purpose	DoD Requiring Activity
67903	8/6/07	\$49,171.48	Teleconferencing Equipment	Walter Reed Medical Center
68529	8/6/07	\$64,791.65	Teleconferencing Equipment	Walter Reed Medical Center
<b>Total</b>		<b>\$113,963.13</b>		
68644	8/26/07	\$84,072.40	Transportation Assistants	U.S. Army Garrison, Miami, Florida
68646	8/26/07	\$16,208.56	Transportation Assistants	U.S. Army Garrison, Miami, Florida
<b>Total</b>		<b>\$100,280.96</b>		
68737	9/24/07	\$95,885.94	IT Training Services	Headquarters, U.S. Army Forces Command
68739	9/24/07	\$91,761.26	IT Training Services	Headquarters, U.S. Army Forces Command
<b>Total</b>		<b>\$187,647.20</b>		

## Conclusion

The Director, Defense Procurement and Acquisition Policy and Strategic Sourcing, the Under Secretary of Defense (Comptroller)/Chief Financial Officer, and AQD–Herndon took immediate action to address the problems that we found in previous audits and this audit. Specifically, AQD–Herndon no longer bills DoD in advance for its purchases and no longer uses expired funds for DoD purchases. On March 27, 2008, the Director, Defense Procurement and Acquisition Policy and Strategic Sourcing issued a letter

rescinding the restrictions previously imposed on DOI. However, he imposed the following new restrictions related to purchases of furniture.

DoD Components may send interagency agreements to the Department of the Interior's AQD-Herndon and Sierra Vista locations for requirements for furniture, only if they are accepted and executed by the Associate Director, Acquisition Services, or his designee(s). In addition, DoD Components may not send interagency agreements for furniture requirements to either AQD-Herndon or AQD-Sierra Vista, after July 1, of any fiscal year, regardless of the expected delivery date of the requirement.

On March 28, 2008, the Director, Defense Procurement and Acquisition Policy and Strategic Sourcing provided the same notification to the Military Departments. Because the DoD and AQD-Herndon actions corrected the problems related to furniture purchases identified during this audit, as well as addressed problems identified in the previous audit, we are not making any recommendations in this report.



## **Appendix A. Scope and Methodology**

We conducted this performance audit from December 2007 through July 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This is a follow-up on the previous audit, DoD IG Report No. D-2008-066, “FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior,” March 19, 2008. The previous audit was required by section 811 of Public Law 109-63, “National Defense Authorization Act for Fiscal Year 2006.”

AQD–Herndon contracting officials awarded 289 contract actions, valued at \$112.4 million, from June 1 through November 26, 2007. We judgmentally selected 50 large and small dollar value contract actions, valued at \$39.4 million, for a detailed review of contracting and funding issues. Twenty-two contract actions, valued at \$1.2 million, were for products, and 28 contract actions, valued at \$38.2 million, were for services. Specifically, we reviewed award summaries, Government reviews of contractor-proposed costs, independent Government cost estimates, legal reviews, and MIPRs at the AQD–Herndon, Virginia, contracting facility. We also reviewed the granting of waivers for 79 AQD–Herndon contract actions, each valued at or more than \$100,000.

### **Review of Internal Controls**

AQD–Herndon internal controls related to contracting and funding were adequate as they applied to the audit objectives. We noted only isolated deviations from laws and regulations. Actions by the Director, Defense Procurement and Acquisition Policy and Strategic Sourcing to restrict the purchase of furniture at AQD–Herndon should assist in correcting these problems.

### **Use of Computer-Processed Data**

AQD–Herndon personnel provided us with a spreadsheet that included 289 contract actions it awarded on behalf of DoD from June 1 through November 26, 2007. From the spreadsheet, we judgmentally selected 50 contract actions for review. AQD–Herndon personnel also provided us with access to their Business Information System to identify contract actions for review. We did not assess the reliability of the data they provided during this audit. However, we did not find any discrepancies in the data for the contract actions reviewed. We did not assess the accuracy of the information obtained from the Business Information System.



## **Appendix B. Prior Coverage**

During the last 5 years, the Government Accountability Office (GAO), the DoD IG, the Air Force Audit Agency, and the DOI IG issued 29 reports relating to interagency contracting and military interdepartmental purchases. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>. Unrestricted DOI IG reports can be accessed at <http://www.doioig.gov>.

### **GAO**

GAO Report No. GAO-07-310, “High-Risk Series: An Update,” January 2007

GAO Report No. GAO-06-996, “Interagency Contracting Improved Guidance, Planning, and Oversight Would Enable the Department of Homeland Security to Address Risks,” September 2006

GAO Report No. GAO-05-456, “Interagency Contracting Franchise Funds Provide Convenience, but Value to DoD is Not Demonstrated,” July 2005

GAO Report No. GAO-05-201, “Interagency Contracting Problems with DoD’s and Interior’s Orders to Support Military Operations,” April 2005

GAO Report No. GAO-05-274, “Contract Management: Opportunities to Improve Surveillance on Department of Defense Service Contracts,” March 2005

GAO Report No. GAO-05-207, “High-Risk Series: An Update,” January 2005

GAO Report No. GAO-04-874, “Contract Management: Guidance Needed to Promote Competition for Defense Task Orders,” July 2004

GAO Report No. GAO-03-1069, “Budget Issues: Franchise Fund Pilot Review,” August 2003

### **DoD IG**

DoD IG Report No. D-2008-082, “Summary Report on Potential Antideficiency Act Violations Resulting from DoD Purchases Made Through Non-DoD Agencies (FY 2004 Through FY 2007),” April 25, 2008

DoD IG Report No. D-2008-066, “FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior,” March 19, 2008

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# Appendix C. Contract Actions Reviewed for Contracting and Funding Issues

DoD Requiring Activity	Contract	Amendment	Contract Costs	Award Date
1) Headquarters, Department of the Army, CIO/G-6 SAIS-ZRE	86486	A73	\$10,341,409.50	7/5/07
2) Department of Defense	60552	A23	\$4,917,014.56	6/25/07
3) Office of the Deputy Under Secretary of Defense, Advanced Systems and Concepts	34425	A11	\$4,614,259.40	6/1/07
4) U.S. Army Information Technology Agency, Pentagon	61715	A9	\$3,264,002.00	6/28/07
5) Rapid Equipping Force	68613	0	\$3,005,165.00	9/20/07
6) DoD, Washington Headquarters Services	42813	A10	\$2,957,411.64	7/7/07
7) Aerial Common Sensor - Building 801, Fort Monmouth, NJ	68093	0	\$2,955,462.70	8/15/07
8) National Security Space Office (Multiple)	68246	0	\$2,805,213.31	6/29/07
9) Army Center for Substance Abuse Programs (Multiple)	35170	A32	\$1,651,809.29	9/20/07
10) Walter Reed Army Medical Center	68120	0	\$436,371.99	6/22/07
11) Armed Forces Institute of Pathology	68513	0	\$416,603.10	8/17/07
12) Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics	67781	0	\$323,555.27	9/20/07
13) Ft. Campbell Schools, Ft. Campbell, KY	67939	A1	\$171,622.14	10/5/07
14) Headquarters, U.S. Army Forces Command	68741	0	\$96,050.36	9/24/07
15) Headquarters, Department of the Army, G-8	67271	A4	\$96,025.44	9/22/07
16) Headquarters, U.S. Army Forces Command	68737	0	\$95,885.94	9/24/07
17) Department of the Army, G-4	68598	0	\$95,092.04	8/20/07
18) Headquarters, U.S. Army Forces Command	68739	0	\$91,761.26	9/24/07
19) 951st Electronic Systems Group/FM	20230	0	\$84,645.39	10/11/07
20) Headquarters U.S. Southern Command, J8-TCA	68644	0	\$84,072.40	8/26/07
21) 951st Electronic Systems Group/FM	20231	0	\$82,841.52	10/11/07
22) Walter Reed Army Medical Center, Programs and Budget Division	68369	0	\$71,720.00	9/24/07
23) Headquarters, Department of the Army, Office of the Deputy Chief of Staff, G-3/5/7	68485	0	\$67,126.02	8/6/07
24) Walter Reed Army Medical Center, Program and Budget Division	68529	0	\$64,791.65	8/6/07
25) Walter Reed Army Medical Center, Program and Budget Division	67903	0	\$49,171.48	8/6/07
26) U.S. Army Research, Development, and Engineering Command	68007	0	\$47,825.00	6/7/07
27) Secretary of the Air Force/AFF, 1435 Air Force Pentagon	68440	0	\$47,375.00	7/31/07

DoD Requiring Activity	Contract	Amendment	Contract Costs	Award Date
28) Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics/ARA/Program Studies Office	61990	A6	\$45,505.00	9/20/07
29) Walter Reed Army Medical Center, Program and Budget Division	68369	0	\$44,000.00	9/20/07
30) U.S. Army Garrison, Presidio of Monterey, CA	67577	0	\$43,195.00	7/9/07
31) U.S. Southern Command, U.S. Army Garrison, Miami	68645	0	\$39,397.05	8/26/07
32) Secretary of the Air Force/AAF	68443	0	\$39,185.00	7/31/07
33) Department of Defense	68524	0	\$32,951.81	8/3/07
34) Amphibious Construction Battalion Two - Navy	68401	0	\$29,936.83	7/25/07
35) Secretary of the Air Force/AAF	68439	0	\$29,151.79	7/31/07
36) Defense Contract Audit Agency	68751	0	\$26,554.48	9/18/07
37) Assistant Secretary of the Army (Financial Management and Comptroller)	67271	A3	\$22,782.13	9/20/07
38) Office of the Assistant Secretary of Defense (Networks and Information Integration) - SPACE	62229	A31	\$21,682.74	6/29/07
39) Headquarters, Department of the Army DCS, G-2 DAMI-RI	68602	0	\$18,984.52	8/28/07
40) U.S. Southern Command, U.S. Army Garrison, Miami	68646	0	\$16,208.56	8/26/07
41) Headquarters, Air Force Office of Special Investigations	68663	0	\$12,080.50	9/24/07
42) United States Army Garrison, Fort Belvoir	68669	0	\$11,952.00	9/19/07
43) Headquarters, Department of the Army DCS, G-2 DAMI-RI	68747	0	\$11,660.72	9/12/07
44) Assistant Secretary of the Army (Manpower and Reserve Affairs)/G-1, DAPE-PRR, Budget Branch	68601	0	\$11,563.79	8/27/07
45) Assistant Secretary of the Army (Manpower and Reserve Affairs)/G-1, DAPE-PRR, Budget Branch	68791	0	\$10,982.88	9/20/07
46) Headquarters, Department of the Army, Office of the Deputy Chief of Staff, G-3/5/7 DAMO-ZCA-M	68539	0	\$10,494.82	8/15/07
47) Comptroller Division, Quantico, VA	61081	A9	\$9,603.45	6/21/07
48) Assistant Secretary of the Army (Manpower and Reserve Affairs)/G-1, DAPE-PRR, Budget Branch	68599	0	\$8,381.52	8/20/07
49) Domestic Dependent Elementary and Secondary Schools, Kentucky	67939	0	\$7,723.00	7/9/07
50) The Department of the Army, Office of the Deputy Chief of Staff, G-4	68570	0	\$4,353.25	8/14/07
<b>Total</b>			<b>\$39,442,614.24</b>	

## **Team Members**

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